

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2482-01  
Bill No.: HB 1123  
Subject: Taxation and Revenue - General; Federal - State Relations; Revenue Department  
Type: Original  
Date: March 30, 2015

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Bill Summary: This proposal would authorize the Department of Revenue and the Office of Administration to enter into a reciprocal collection and offset of indebtedness agreement with the federal government.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	\$6,496,018	\$5,053,838	\$4,952,684
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$6,496,018</b>	<b>\$5,053,838</b>	<b>\$4,952,684</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Other State Funds	Unknown	Unknown	Unknown
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 9 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Local Government</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would allow the State of Missouri to establish a reciprocal agreement to offset federal vendor payments for any state debt and to offset state tax refunds and state vendor payments to the federal government. Based on information provided by the Department of Revenue, BAP officials estimated this proposal would bring in an additional \$7 million in FY 2016, \$5.1 million in FY 2017, and \$5 million in FY 2018. BAP officials noted because this is money already owed to the state, Total State Revenues would increase by the amount collected; however, there would be no impact to the calculation required under Section 18(e) of the state constitution.

Officials from the **Office of Administration - Information Technology Services Division (ITSD)** assume this proposal would require computer programming services to develop and implement processing systems for the Office of Administration, the Department of Revenue, and the Department of Social Services. ITSD officials provided the following cost estimates based on the current \$75 statewide contract rate for programming services.

	<u>Hours</u>	<u>Cost</u>
Office of Administration	481	\$36,043
Department of Revenue	5,714	\$428,571
Department of Social Services	525	<u>\$39,399</u>
Total		<u>\$503,982</u>

In addition, ITSD officials assumed there would be an annual maintenance cost for the Department of Revenue system of \$46,162 in FY 2017, \$47,316 in FY 2018 and similar cost in following years.

**Oversight** will include the ITSD estimates of cost in this fiscal note.

Officials from the **Department of Social Services (DOSS)** assume this proposal would add a new state statute section 32.385, authorizing the Director of Revenue and Commissioner of Administration to jointly enter into a reciprocal collection and debt offset agreement with the federal government.

ASSUMPTION (continued)

Under the reciprocal agreement:

The Department of Revenue could offset state income tax refunds and payments due state vendors to collect non-tax debts owed to the federal government.

The federal government, if authority exists under federal law, could offset payments due federal vendors, contractors and taxpayers to collect debts owed to any Missouri state agency. The reciprocal agreement would allow the federal government to retain a portion of the proceeds of any collection offset on the state's behalf.

The proposal would also add a Section 32.385.8 which would authorize the Director of Revenue and the Commissioner of Administration to enter into similar reciprocal agreements with other states to collect debts owed to state agencies.

Children's Division (CD)

CD officials assume if the Department of Revenue and the Office of Administration join into a reciprocal agreement with the federal government, this proposal would authorize the Children's Division to withhold payments from vendors and contractors, which could include foster parents, other licensed and contracted service providers, and possibly adoption subsidy recipients, to offset any delinquent tax or nontax debt owed to the federal or state government.

CD officials note there is an existing process within the CD financial system to intercept payments for debt of CD related services only. CD officials assume this bill could increase the mechanisms for recovery of CD debt if non-CD related vendor payments are subject to interception. CD officials assume the level of funds recouped would not to impact their organization.

Division of Financial and Accounting Services (DFAS)

DFAS officials also noted there is an existing process to intercept state payments to vendors that the Department of Revenue has determined owe delinquent taxes. DFAS officials assume this or a similar process would be used to capture state payments owed to the federal government or state agencies.

ASSUMPTION (continued)

DFAS officials also stated that payments generated from DSS systems may be subject to interception, and noted DSS has a process to intercept payments made from DSS systems which could be expanded to comply with this legislation. DFAS officials deferred to Children's Division, Family Support Division, and MO HealthNet Division officials to determine if there would be an impact with payments outside of the state accounting system.

Family Services (FSD)

FSD officials noted their organization currently collects past-due child support through a state income tax refund offset, and assume authorizing DOR to enter into agreements with the Federal government and other states for state tax offset could reduce FSD child support collections made for families through state income tax refund offset by increasing the number of non-child support debts competing for state offset.

FSD officials assume that, absent a state law change or administrative rule giving offset priority to child support debts, an increase in the number of non-child support debts certified for offset would reduce child support collections. FSD officials also noted their organization collected \$2,481,879 from state income tax refunds in FY 2014 - of this amount, \$201,845 was collected on TANF cases. DFAS officials noted the state share (34%) of this amount is \$68,627 ( $\$201,845 \times 34\%$ ) and stated their organization is not able to predict how many debts would be competing for state offset. DFAS officials assume the potential impact to Child Support Enforcement Collections (CSEC) fund revenues is \$0 to \$68,627.

**Oversight** assumes this proposal would not result in a significant reduction of delinquent Child Support collections or a reduction in Child Support Enforcement Collections revenues.

FSD officials noted the provision allowing the federal government to offset payments due federal vendors, contractors and taxpayers to collect debts owed to any Missouri state agency would not impact the FSD child support program because federal law gives federal offset priority to child support debts.

FSD officials stated that state child support agencies currently have authority to refer child support debts to another state child support agency for state income tax refund offset. However, this proposal could reduce FSD child support collections made through state income tax refund offset by increasing the number of non-child support debts competing for state offset.

ASSUMPTION (continued)

Mo HealthNet Division (MHD)

MHD officials assume the money collected by the offset would be collected by the Department of Revenue and would go into the General Revenue Fund therefore there would not be a fiscal impact to MO HealthNet.

Division of Legal Services (DLS)

DLS officials do not anticipate a fiscal impact on their division, and defer to the analyses by the program divisions as to the potential fiscal impact upon the department. Further, given the broader powers of the Department of Revenue to collect debts owed to the State, DLS officials assume the proposal would vastly improve the Department's ability to collect debts owed to it by citizens. DLS officials also assume their department would be one of the bigger beneficiaries from this program in that it would vastly improve the collection of Medicaid and Food Stamps overpayments.

Division of Youth Services (DYS)

DYS officials assume there would be no fiscal impact to their organization from this proposal.

Officials from the **Department of Revenue** assume this proposal would have no fiscal impact on their organization but would increase state revenues up to \$7 million in FY 2016, \$5.1 million in FY 2017, and \$5 million in FY 2018.

**Oversight** assumes the DOR estimate of collections for this program is the best available and will include those amounts in this fiscal note. Oversight also assumes there could be unknown additional collections for other state funds and local governments, and will include those collections in this fiscal note.

Officials from the **Office of the Secretary of State**, the **Joint Committee on Administrative Rules**, the **Department of Agriculture**, the **Office of Administration - Division of Accounting**, and the **Department of Labor and Industrial Relations** assume this proposal would have no fiscal impact on their organizations.

ASSUMPTION (continued)

In response to a similar proposal in the previous session, officials from the **Department of Higher Education** assumed the proposal would have no impact on their organization and deferred to the Department of Revenue for an estimate of potential state impact.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>GENERAL REVENUE FUND</b>			
<u>Additional Revenue</u>			
Reciprocal debt collections	\$7,000,000	\$5,100,000	\$5,000,000
<u>Cost - OA - ITSD</u>			
Reciprocal debt collections systems	<u>(\$503,982)</u>	<u>(\$46,162)</u>	<u>(\$47,316)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$6,496,018</u></b>	<b><u>\$5,053,838</u></b>	<b><u>\$4,952,684</u></b>
<b>OTHER STATE FUNDS</b>			
<u>Additional Revenue</u>			
Reciprocal debt collections	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
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**LOCAL GOVERNMENTS**

Additional Revenue

Reciprocal debt collections	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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**ESTIMATED NET EFFECT ON  
LOCAL GOVERNMENTS**

	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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FISCAL IMPACT - Small Business

This proposal could result in the collection of a debt from a small business; however, that collection would be considered an indirect impact of this proposal.

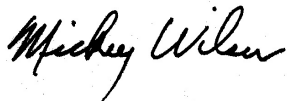
FISCAL DESCRIPTION

The proposed legislation would authorize the Department of Revenue and the Office of Administration to enter into collection and debt offset agreements with the United States government, and with other states.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State  
Joint Committee on Administrative Rules  
Office of Administration  
    Division of Accounting  
    Division of Budget and Planning  
    Information Technology Services Division  
Department of Agriculture  
Department of Higher Education  
Department of Labor and Industrial Relations  
Department of Revenue  
Department of Social Services



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